

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0297-01
Bill No.: HB 102
Subject: Taxation and Revenue - Property, Property, Real and Personal, Revenue Dept.
Type: Original
Date: March 18, 2011

Bill Summary: Would renew and extend the Missouri Homestead Preservation Act.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|-----------------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| General Revenue | (More than \$100,000) | (More than \$100,000) | (More than \$100,000) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (More than \$100,000) | (More than \$100,000) | (More than \$100,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|-----------------------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---------------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|----------------------------------------------------|----------|----------|----------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume the proposed legislation would not result in additional costs or savings to their organization.

BAP officials stated that the Department of Revenue should provide the estimate of costs to GR for the Missouri Homestead Preservation Tax Credit. Because the Homestead Tax Credit had previously expired, the 18(e) constitutional revenue limit would be impacted by the amount of the tax credit if the proposal is implemented. Total State Revenues would be reduced by the portion of the tax credit no longer going to the Blind Pension Fund.

Officials from the **Department of Elementary and Secondary Education (DESE)** stated that this proposal would appear to extend the sunset on the Missouri Homestead Preservation Act. This would not impact state revenues; however, it would have a negative impact on the revenue stream of local governments. DESE officials also stated that their organization has no means to calculate such impact.

Officials from the **State Tax Commission, Boone County, St. Louis County, the City of Kansas City, Parkway Public Schools, and St. Louis Public Schools** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would remove the current statutory references to the homestead exemption limit for years up to December 31, 2011. To the extent that Homestead Preservation Credits are issued, this proposal would create an unknown, negative impact on Total State Revenue.

The proposed legislation would apply to years beginning after January 1, 2012. DOR officials stated that the Taxation Division and ITSD-DOR would need to make updates to the Homestead Preservation Credit (HPC) system and HPC forms.

DOR officials assumed that this proposal could be implemented with existing resources; in addition, DOR officials provided an estimate of the IT cost to implement this proposal of \$4,452 based on 168 hours of programming to make changes to DOR systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Information provided by the Department of Revenue indicates that utilization of the credit, and therefore its fiscal impact have fluctuated over recent years.

| Year | Claims Filed | Qualified Filers | Average Payout | Total Amount of Credits |
|------|--------------|------------------|----------------|-------------------------|
| 2006 | 6,950 | 4,826 | \$213 | \$1,031,017 |
| 2007 | 10,319 | 1,650 | \$53 | \$87,919 |
| 2008 | 13,318 | 11,011 | \$222 | \$2,451,145 |
| 2009 | 5,669 | 4,123 | \$196 | \$809,803 |
| 2010 | 5,666 | 4,045 | \$191 | \$770,935 |

ASSUMPTION (continued)

Oversight assumes that changes to the program and to other property tax relief programs such as the Missouri Property Tax Credit account for these fluctuations. For fiscal note purposes, Oversight will indicate a program cost in excess of \$100,000 per year.

| <u>FISCAL IMPACT - State Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
|---------------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Cost</u> - Program payments | <u>(More than \$100,000)</u> | <u>(More than \$100,000)</u> | <u>(More than \$100,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(More than \$100,000)</u> | <u>(More than \$100,000)</u> | <u>(More than \$100,000)</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

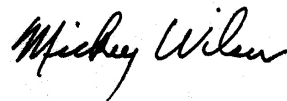
FISCAL DESCRIPTION

The proposed legislation would renew and extend the Missouri Homestead Preservation Act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Boone County
St. Louis County
City of Kansas City
Parkway Public Schools
St. Louis Public Schools

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
March 18, 2011